

DEPARTMENT OF TAXATION

2003 Fiscal Impact Statement

1. **Patron** Ware

3. **Committee** Senate Finance

4. **Title** Property Classification: Certified Pollution
Control Equipment and Facilities

2. **Bill Number** HB 2726

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would add any equipment used to grind, chip, or mulch trees, tree stumps, underbrush, and other vegetative cover for reuse as mulch, compost, or fuel to the definition of certified pollution control equipment and facilities for property tax classification purposes. The governing body of any county, city or town may, by ordinance, exempt or partially exempt such property from local taxation.

Under current law, real or personal property used primarily for the purpose of abating or preventing air or water pollution and which has been certified by the appropriate state certifying authority to the Department of Taxation may qualify for this special property classification. The property added by this bill would qualify for special property classification whether or not such property has been certified to the Department of Taxation by a state certifying authority.

The effective date of this bill is not specified.

6. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

7. **Budget amendment necessary:** No.

8. **Fiscal implications:**

The bill would have a negative impact on local property tax revenue. This impact would vary from locality to locality depending upon how a locality chooses to apply the special classification, and to the extent that such property has situs in a locality.

This bill would also have an unknown negative impact on state and local retail sales and use tax revenues. Under *Va. Code* § 58.1-609.3(9)(i), certified pollution control equipment as defined in § 58.1-3660 is exempt from the retail sales and use tax.

Therefore, under this bill, equipment used to grind, chip, or mulch trees, tree stumps, underbrush, and other vegetative cover for reuse as mulch, compost, or fuel would also be exempt from the retail sales and use tax.

9. Specific agency or political subdivisions affected:

All localities
Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Under current law, "certified pollution control equipment and facilities" property refers to real or personal property, equipment, facilities, or devices, used primarily for the purpose of abating or preventing pollution. These properties must be subject to certification to the Department of Taxation by a state certifying authority in order to qualify for the special property classification. These "state certifying authorities" are:

- the State Water Control Board, for water pollution;
- the State Air Pollution Control Board, for air pollution;
- the Department of Mines, Minerals and Energy, for coal, oil, and gas production, including gas, natural gas, and coal bed methane gas;
- the Virginia Waste Management Board, for waste disposal facilities; and
- any interstate agency authorized to act in place of a certifying authority of the Commonwealth.

The certification to the Department of Taxation involves the appropriate state entity certifying that such property has been constructed, reconstructed, erected, or acquired in conformity with the state program or requirements for abatement or control of water or atmospheric pollution or contamination.

The equipment provided for in this bill would not be required to be certified by one of these authorities in order to qualify for the special property classification.

cc: Secretary of Finance

Date: 02/06/03/SLR
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